

VISIT...

LANZAROTE
Caliente.COM

OPERATION MANAGEMENT

OFFICE EQUIPMENT

Financing new equipment -- from computers to phone systems to capital equipment and other gear you need to run your company -- is a major issue for many small business owners. Leasing, instead of purchasing, can be a cost-effective option, particularly if you don't have the cash on hand, but need the equipment.

In fact, you might want to consider leasing even if you do have the cash to invest. By leasing, you might find that you can regulate your cash flow more effectively, because you have predictable, regular monthly installments as opposed to a single lump sum payment. Plus, leasing can help you avoid tying up lines of credit, or you might want to use the money for another area of your business.

To learn more about leasing, click on the topics below:

- [How leasing works](#)
- [Advantages and disadvantages of leasing](#)
- [Terms to look for in a lease](#)
- [When a lease is not a lease](#)

How leasing works

When you sign a lease you are assigning the rights for the equipment to the lessor. The lease-holder owns the equipment and is making it available to you for your use in exchange for the lease payments you make. There are several ways to acquire equipment through leasing. Among the most common are the following:

- Select equipment yourself and then seek financing through a lessor. You locate a system from the vendor of your choice and then work out a leasing agreement for that system with the leasing company. In this scenario, you usually still get service and support for the system from the vendor, rather than the lessor.
- Select equipment by working with a retailer or manufacturer which offers leasing through its own subsidiary. Once a purchase price is established, your vendor will translate that into a lease payment based on the terms you've requested.
- Obtain equipment directly through a lessor. If you choose this route, you will work with a leasing company to figure out what you need and what you can afford. The lease and the equipment in this scenario, comes from the lessor. If you choose to get your lease and equipment from the lessor, you may want to shop for your equipment before tackling the lease. A leasing company is not necessarily the place to get your technical information.

[Back to Topics](#)

Advantages and Disadvantages of Leasing

Here are some of the issues you need to consider when you're looking at leasing:

Operation Management

- Ownership -- The most obvious downside to leasing is that when the lease runs out, you don't own the piece of equipment. Of course, this may also be an advantage, particularly for equipment like computers where your technology needs may change very quickly.
- Total expense -- Leasing is almost always more expensive than buying, assuming you don't need a loan to make the purchase. For example, a 3-year lease for a \$5,000 computer system (at a typical rate of \$40/month per \$1,000) will cost you a total of \$7,200.
- Finding funds -- Lease arrangements are usually more liberal than loans. While a bank might require 2-3 years of business records before granting a loan, many leasing companies evaluate your credit history on shorter terms (6 months is fairly typical). This can be a significant advantage for a start-up business.
- Cash flow -- This is the primary advantage to leasing. It eliminates a large, single expense that may drain your cash flow, freeing funds for other day-to-day needs.
- Taxes -- Leasing almost always allows you to expense your equipment costs, meaning that your lease payments can be deducted as business expenses. On the other hand, buying may allow you to deduct up to \$19,000 worth of equipment in the year it is purchased (as part of first-year expensing); anything above that amount gets depreciated over several years. With the first-year expense deduction, the "real cost" of a \$5,000 computer system may be only \$3,400.
- Technology needs -- Technology advances at a rapid rate. If you buy a computer other high-tech equipment outright, you may find yourself with outdated equipment in 2-3 years, with no discernible resale value. Leasing may allow you to try out new equipment configurations, and update your system regularly to stay on top the technology curve. On the other hand, if you have a "pass-down" policy in your company (where older technology gets used by certain departments), buying may be more effective.

[Back to Topics](#)

Terms to look for in a lease

Here are some of the issues you should look for when negotiating your lease, or reviewing your lease contract:

- Length of the lease -- This is often called the "term" of the lease, and is usually between 12 and 36 months. The shorter the term of your lease, the higher your payments. 36 months is typical for a computer lease, although you might want to look at a 24-month lease to keep up with changing technology. The cost of 12 month leases is usually prohibitively high, and many experts only recommend you look at this option if you have a compelling reason.
- Total cost -- Analyze all the charges for which you will be accountable for the entire length of your lease. These include your initial down payment, monthly payments, a security deposit, any insurance charges, service/repair costs, etc.
- Cancellation clause -- This allows you to break your lease, although you will be liable for substantial penalties. This way, if you close your business, change its focus, or no longer need a piece of equipment, you won't be liable for the entire term of the lease.
- Assignment -- Find out if you can assign the lease to another party, and if so, what it costs.
- Modern equipment substitution -- If technology changes rapidly, you might want to consider this option. This allows you to update or exchange your equipment so you don't get stuck with something that's obsolete.
- Service plans -- Find out if your lease comes with an on-site service plan, and if so, determine its length. If you have only 1 year of on-site service, you may need to extend it to the length of the lease; otherwise, you will be responsible for all repairs yourself after the first 12 months. Also, be sure the contract spells out when the service will be performed (ideally, next business day).

[Back to Topics](#)

When a lease is not a lease

Read the fine print of any lease you sign. There is such a thing as a lease that is considered a purchase -- which means you would not be able to deduct your monthly payments. A capital purchase has occurred if the terms of your lease agreement are constructed so that you meet one of the following criteria:

- You have a "bargain buyout" in which you can purchase the machine for a token amount at the end of the lease.
- You are leasing the machine for 75% of its useful life.
- The total payments made during the period of your lease equal more than 90% of the fair market value of the machine. Keep in mind that payments include finance charge and sales tax, and they need to be deducted to find the true price you're paying for the equipment.

Securing Your Inventory and Property

It can be difficult to prove that an employee is stealing your equipment or inventory, but this can be extremely costly fraud. The key is not to catch someone in the act, but to enact policies that prevent it from happening. Use these techniques to help stop employee theft in its tracks.

Run regular inventory audits

Occasional inspections and audits of inventory will help prevent fraud and theft. Like your accounting audits, make these inventory checks a surprise. These audits will keep records current, and make it easier to detect theft. Keep track of valuable equipment or inventory by serial number or other identifier, and match these numbers to your records.

Create inventory control policies

Different industries will require different controls, but be sure your business institutes some of these basic steps:

- Match actual counts of units, cartons, etc. to shipping documents before merchandise is released to a shipper.
- Never allow merchandise to leave the premises without an invoice or appropriate shipping documentation.
- If you have expensive components, products, or tools, consider putting them in a locked closet or cage, and limit access to this area.
- Make sure all purchase orders, invoices and shipping documents are consecutively numbered, and review them regularly for missing documents.
- Keep purchase orders, invoices and shipping documents under lock and key.
- Have all employees exit through one door at the end of their shift, supervised by the owner or a trusted employee.

Check your trash

Employees who want to steal from your business will come up with creative ways to get it done. One common method is to put items in the trash or in a dumpster, then return when the office is closed and no one is around to take it home. Conduct regular spot checks of your trash after hours - a quick glance in the dumpster could alert you to a possible theft. Have someone flatten all trash cartons and bundle them before throwing them out so they can't be re-used to steal inventory or merchandise.

Know who has your keys

Operation Management

Only specified employees should have keys to your business. Make your employees fill out a form when they receive keys to your office. Record the number of the key and other pertinent information. Make certain the original key is returned when the employee leaves your company. If keys are lost, replace locks immediately. Have your locksmith mark every office key "Do Not Duplicate" to prevent unauthorized copying.

Set a good example

Be careful not to create a corporate culture that invites fraud. Employees look to their managers for direction. If you do business in an unethical manner, your employees may believe its okay to steal. For example, employees who see a business owner taking home office supplies may believe its okay for them to do so as well.

Check references

Investigate every employee's prior work history before you offer employment. Take extra precautions with anyone you hire who will have financial responsibilities. Check references closely. Call previous employers to verify resume and application information. Invest time to make sure that applicants do not have a record of stealing from previous employers.

Consider bonding

A fidelity bond is a form of insurance that protects your firm in cases of employee theft. The bonds can be used to reimburse you for any established losses your firm is able to verify. Fidelity bonds are most commonly used to cover cash losses, but can also be used to cover merchandise losses as well. An added bonus - some bonding companies will check an employee's background before bonding, which can help you weed out potential problem employees. Your insurance agent will be able to help you regarding cost and coverage

Equipment Inventory List

Should a theft, fire, or other catastrophe hit your business, you'll want to quickly and accurately determine what you've lost. You'll be aided in making this determination if you've taken the time to document each of your equipment acquisitions. Good records of what you've purchased can also help when things are going well. Accurate information regarding your past equipment purchases can help you forecast your future needs.

The attached file contains a sample equipment inventory list that you can use to record your equipment acquisitions.

EQUIPMENT INVENTORY LIST

Description of Item (include make and model number)	Serial Number	Date Acquired	Vendor or Lessor	Cost

[illegible]

Equipment Lease Checklist

Benefits: The equipment lease checklist is a detailed listing of the terms and issues that you should consider when you need to negotiate an equipment lease. This comprehensive checklist is designed to identify the terms that should be addressed in an equipment lease and to alert you to specific issues pertaining to the terms in an equipment lease.

File Description: The file contains a two-page document in rich text format (RTF) that is suitable for use with most word processing programs used in a Windows environment.

Special Features: Included are the following:

- a detailed listing of the most important terms that are included in equipment leases, such as renewal options, insurance provisions, and termination costs
- questions under each category that you should ask yourself, and be able to answer, when reviewing an equipment lease or when having your attorney draft one

Equipment Lease Checklist

A checklist of the most common issues that arise in a lease agreement is provided below. A careful review of the checklist can assist you in reviewing the issues that will be important when you negotiate an equipment lease.

- ☐ **Term and rent.** What is the initial term of the lease, and what is the rent? How and when must rent be paid?
- ☐ **Claims against supplier.** Does the lessee have the right to proceed directly against a supplier on warranties, refunds, price adjustments and other claims? Does the lessee have the right to retain any settlement?
- ☐ **Transfers.** Does the lease restrict the lessor's right to transfer an interest in the leased equipment?
- ☐ **Representations and indemnities.** Are any special representations required to satisfy regulatory requirements? Is the lessee required to assume property taxes, license fees, public liability? To what extent is the lessee obligated to indemnify other parties against various other risks and expenses?
- ☐ **Claims.** Can the lessee sue and take other action in the name of the lessor to assert claims against third parties? Is the lessee's right to settlements that compensate for losses protected?
- ☐ **Renewal options.** Does the lease provide for renewal? If so, for what term and at what rent? Keep in mind that renewal options may affect the tax treatment of the transaction.
- ☐ **Subleasing.** May the lessee sublease the equipment? Under what conditions?
- ☐ **Maintenance.** Who is obligated to maintain the equipment? The lessee should not accept a requirement that he provide a higher degree of maintenance than would be the case if he owned the property.
- ☐ **Improvements and modifications.** Does the lessee have the right to make improvements or modifications to the equipment so that it better suits individual needs? Who is responsible for modifications required by regulatory agencies?
- ☐ **Stipulated losses.** What are the specified amounts that the lessee would owe in the event the equipment was lost, stolen, or destroyed by casualty? Are these charges in lieu of or in addition to the value of the lost equipment? Often, stipulated losses are based upon a formula incorporating rental payments for the balance of the lease term and the value of the lost tax advantages to the lessor. If the lessor has the right to sell the lease to investors seeking tax-sheltering advantages, the stipulated losses, sometimes stated in terms of making the lessors whole, may be figured with respect to their lost tax advantages rather than those of the original lessor.
- ☐ **Insurance.** Who is responsible for insuring the equipment? Who is entitled to what part of any insurance settlement if the equipment is lost, stolen or damaged?
- ☐ **Amendments.** Does the lease provide for amendments in case of changed circumstances or conditions? This is especially important in long-term leases, when the value of the equipment to the lessee may suddenly decline.
- ☐ **Purchase option.** Does the lessee have the right to purchase the leased equipment? What is the option price and how and when may it be exercised? Keep in mind that purchase options may affect the tax treatment of the transaction.
- ☐ **Termination.** Under what circumstances may the lease be prematurely terminated? Does destruction or loss of equipment terminate the agreement? Are any payments required because of premature termination? Does the lease provide for termination under certain circumstances or conditions, such as legal restrictions that make continued use of the equipment illegal or uneconomical?
- ☐ **Termination costs.** Who is responsible for costs associated with returning equipment to the lessor at the end of the lease term? Dismantling, packing, shipping, insurance and related costs can be

substantial.

- ☐ **Master leases.** Does the lease require individual contract negotiations if the lessee wants to add another piece of equipment, or may the lessee make a simple addition to the regular contract describing the new equipment, the rate and the period of the new lease? The latter can yield substantial savings where an ongoing relationship is contemplated.

OFFICE SUPPLIERS

Keep Yourself Organized

Entrepreneurs have the potential to be disorganized. They have limited resources and lots of information to keep track of. For this reason, office setup, organization and maintenance can slip. A little slippage is understandable and excusable, but for the sake of the business, periodic organizational sprees are important. The advice and tips listed here will help you setup and maintain an organized office. Keep this file and refer to it at least once a quarter. If you are too busy to complete this task yourself, hire someone to do it for you. The time saving will pay off.

Click on the topics below for tips about how to keep yourself and your business organized.

1. [Office setup](#)
2. [Paper files](#)
3. [Computer files](#)

Office Setup

Having systems in place that keep your office organized will cut down on maintenance. Check your office setup against these tips and make the necessary changes.

Hide supplies you don't use everyday from sight

This is because piles of stationery, extra roles of tape, and high stacks of envelopes look messy and disorder can be distracting. If space permits, keep extra supplies in a closet or cupboard. Store things you do not use regularly. In her book "Organizing Your Home Office for Success", Lisa Kanarek has advice for how to keep your office free of clutter. She suggests moving all of your knickknacks and all the things you use only once a week to secondary surfaces like a file cabinet or a shelf. Anything you use once a month should be stored in a file or put away on a shelf. Items you use less frequently than that should be in a closet.

Organize supplies so that they are easy to reach

For example, you shouldn't have to move two piles of paper and open a box to get your hands on a piece of your letterhead stationery.

Set up your office to function smoothly

If everything falls over when you pull one book out of your bookcase or there isn't enough space near the fax machine to easily insert documents and collect incoming faxes, reorder your office. These small glitches in work flow waste time and cause stress.

Create a "safe" trash can

Operation Management

If your disorganization stems from nervousness about throwing things out only to realize later you need them, create a "safe" trash can. Nothing goes into the safe trash can except for paper. No apple cores, no soda cans, nothing that you wouldn't want to have to see again if you need to look in the trash can. Only empty this trash can every few weeks, so you have a grace during which you can retrieve it. This system may make it easier for you to pitch stuff.

Create a system for information flow

Think about what kind of information, materials, and other items you regularly encounter. Presumably your list will include basics such as incoming and outgoing mail, phone numbers, current projects, and materials you want to keep but cannot focus on right now. Once you have created your list, visit an office supply store to find solutions for organizing all of your information. The perfect product to meet your needs may not be easy to find and you may have to combine two products from the store, or buy one item and modify it to suit your purposes.

[\[Back to top\]](#)

Paper Files

No matter how great your office setup is, some maintenance will be required to keep the information in your office organized. Below are some tips for uncluttering your paper and electronic files.

Everyone knows what it is like to waste time looking for something in a file drawer. Periodic cleansing of junk from your files will cut down on this time-wasting activity.

Clean regularly

Sort through your file cabinets at least once a quarter and throw things away you no longer need. If you continually postpone this task, hire someone to help you. Although you will obviously need to be involved in the cleaning process, an appointment with a helper will force you to complete the task.

Rename your files

If you have trouble finding paper in your file cabinets create file names based on the first related word that comes to your mind when create the file. Chances are, if this word comes to you when you are filing, it will be easier to remember when you are looking for it.

Create sub folders in each hanging folder

This will also increase the ease with which you can locate things.

Group related hanging files together

Keep client folders in one drawer or part of a drawer, articles you save and contract in another. Keep your personal files in a drawer separated from all business material.

Have sufficient filing space

Organization is only feasible if you have enough space in your file cabinets. Invest in high-quality, large file cabinets that provide enough space for the material you need to store.

[\[Back to top\]](#)

Computer Files

Your computer hard drive -- the electronic equivalent to your file cabinet -- also needs periodic house cleaning. Here are some suggestions from Fujifilm Computer Products and The National Home Office Association.

Free up disk space by backing-up

Old or seldom used files can easily be transferred from the hard drive onto floppy disks or data cartridges. This will increase the computer's file-retrieval speed.

Create subdirectories on the hard drive

Broad subdirectories will allow for all related files on the root directory to be saved together in a group. Subdirectories are easy to create. Simply consult your operating system manual.

Give files sensible names

Use general, comprehensive file names that can be easily identified, such as "payroll.96." This can be particularly helpful when working with a large number of small files simultaneously, and will reduce the search time required to find specific files in a directory.

Maintain a commitment to organization

Organization is a learned discipline, but keeping an organized hard drive and floppy disks will eventually become second nature. Back-up files regularly, and continue to save files in a systematic way.

Compress your data

If space on your hard drive is always an issue, there are programs that will shrink or compress your files, greatly increasing available storage space. Several data compression software programs are available.

Use color-coded floppy disks

Filing floppy disks by color in organized floppy disk holders allows users to find the proper floppy disks quickly and easily. For example: use blue floppy disks for accounting, green for payroll and red for sales.

Environmental Responsibility

Chapter 1: Introduction

Defining an EMS
Business Benefits of an EMS
Implementing an EMS
Disclaimer

Chapter 2: Success Stories: Businesses Profiting from EMS

Chapter 3: Creating an EMS (Overview)

Chapter 4: Planning an EMS

Selecting an Environmental Task Group
Establishing Objectives and Targets

Considerations in Setting Objectives and Targets
Tip Sheet: Determining Environmental Impacts
Tip Sheet: Walk-through Considerations

Prioritizing Projects

Table on Degree of Impact and Period of Occurrence
Table on Significance of Impacts

Creating an Action Plan and an Action Team

Creating an Action Plan
Action Plan Model (sample)
Tip Sheet: Techniques for Addressing Environmental Problems
Tip Sheet: Questions for Screening and Searching for Applications
Tip Sheet: Ways to Reduce Waste

Creating a Prevention and Emergency Plan

Suggestions for Developing Prevention and Emergency Plans
Tip Sheet: Ways to Prevent Spills and Leaks

Chapter 5: Implementing the Action Plan

Training Staff

Selecting Staff for Training
Considerations in Assessing Employee Training Needs
Selecting Training Programs and Methods
Scheduling Training
Suggestions for Training
Tip Sheet: Insights into Adult Learning

Communicating EMS Information

Selecting Internal and External Target Audiences
Selecting Information to Share
Suggestions for Communication
Communication Procedures and Standards
Ways to Communicate with Staff, the Community and the Government
Maintaining the Flow of Information

Setting a Budget

Operation Management

Low-Cost Options with Immediate Payback
Tip Sheet: Writing the Financial Plan

Chapter 6: Monitoring Progress

Formulating a Measurement System

Generally Measurable Items
Data Structure Model
Environmental Indicators and Concepts to Consider
Suggestions for Developing and Using Measurement System

Benchmark Technique
Assessing the EMS

Steps for Assessing the EMS
Assessment Procedures
Considerations for the Assessment Team
Considerations if Results Show Difficulties or Unreached Targets

Chapter 7: Improving Results

Creating and Implementing a New Action Plan

Elements of the Continual Improvement Process
Considerations for Creating a New Action Plan

Writing an Environmental Policy

Considerations for Writing an Environmental Policy
Points to Address in an Environmental Policy

Chapter 8: Questionnaire for Establishing Priorities for Objectives and Targets

Emissions/Discharge
Energy
Energy Sources/Use
Insurance
Laws and Regulations
Packaging
Process Design/Operation
Paper
Product Design
Raw Materials
Site/Building
Solid and Hazardous Waste
Solid Waste Management
Storage On Site
Transport and Distribution
Waste
Waste Disposal

Water

Water Use/Discharge

Chapter 9: Case Studies

Finding a Mentor to Help Develop an EMS

Process Optimization in Textile Dyeing

Energy Saving in Soap Production

Increased Raw Material Efficiency in Pulp and Paper Production

Toxic Waste Reduction in Chrome Plating

Rubber Reuse in Belt Manufacturing

Reuse of Chromium in Leather Tanning

Water Savings in Sugar Refining

Chapter 10: Sample Forms

Action Plan Form (sample)

Prevention Plan Form (sample)

Emergency Plan Form (sample)

Training Plan Form (sample)

Process Identification Plan Form (sample)

Material Identification Plan Form (sample)

Environmental Policy (sample)

Chapter 11: Resources

Support Sources

Large Companies, Clients or Suppliers Acting as Mentors

Other SMEs

Expert and Local Technical Assistance

Extra Assistance

Consultants

Considerations in Hiring Consultants

Information Sources

Multinational Companies

Environmental Regulatory Agencies

Associations Customers and Suppliers

The Internet

Support Material

Checklist for Purchasing Used Vehicles

Benefits: For many small business owners, buying a reliable used vehicle to use in their business makes more sense than buying a new one. By doing so, a business owner can save thousands of dollars on a vehicle's purchase price. That money can be used in other areas of the business that will generate profits. However, a used vehicle that constantly breaks down may interrupt service to customers. And depending on the nature of your business, a shabby looking vehicle that runs could still leave an unfavorable impression with your clients.

If you are thinking about purchasing a used vehicle, our checklist provides a step-by-step process for discovering items that now, or will eventually, need repair. Items on the checklist include both mechanical and cosmetic items, and they vary from the very expensive repairs to the minor ones that can "nickel and

dime" you. Many of the items we'll tell you to watch for - including cracks in windows, the thickness of the vehicle's tire treads, and much more - are simple enough that anyone can check for them. You can also have a vehicle that you're thinking about buying inspected by your mechanic, and ask him or her to review items on the checklist that you are less familiar with.

File Description: The file contains a two-page document formatted as a table in Microsoft Word 6.0. To use this form, you need Microsoft version 6.0 or above.

Special Features and Uses:

- Separate categories of things to check for when you are inspecting the exterior, interior, engine, and underside of a vehicle, as well as what to look and listen for when you take the vehicle for a test drive, are provided.
- Spaces are provided on the checklist where you, or your mechanic, may rate each item as satisfactory or unsatisfactory, and make comments. You will find that you can often use any unsatisfactory items to negotiate a lower price on the vehicle.
- The two-page form is thorough, yet small and simple enough to take with you to dealership lots, or to investigate advertisements in the newspaper.
- Take your checklist and the vehicle to a mechanic whom you trust so that he or she will be reminded of what to check on the vehicle; remember that even small repairs that a mechanic might overlook will still cost you money.
- Use the checklist as a planning tool to budget for repairs on vehicles that you currently own.

Checklist for Evaluating Used Vehicles		
Category	OK?	Comments
I. General Appearance		
Engine		
Belts		
Cleanliness		
Emissions test		
Hoses		
Oil		
Radiator coolant		
Transmission fluid		
Exterior		
Body rust		
Condition of paint		
Dents		
Missing or broken parts		
Scrapes		
Interior		
Dash board		
Emergency brake		
Gas-brake-clutch pedals		

Gauges		
Head liner		
Hood release (if applicable)		
Mirrors		
Odometer mileage		
Operation of doors		
Operation of windows		
Rugs and mats		
Seat belts		
Seats		
Sun roof		
Sun visors		
Trunk		
Floor covering		
Rust/holes		
Spare tire		
Page 1		

Checklist for Evaluating Used Vehicles		
Category	OK?	Comments
Underneath Vehicle		
Exhaust pipe		
Floor boards		
Shock absorbers/struts		
Tire tread		
II. In the Driver's Seat		
Air conditioning		
Brakes		
Front and rear defrost		
Gauges/warning lights		
Battery		
Fuel		
Oil pressure		
Temperature		
Head lights		
Heater and heater fan		
Motor idle		
Power windows/mirrors		
Radio/cassette/CD		
Seat belts		
Seat movement control		
Speedometer		

Steering wheel tilt		
Tachometer		
Turn signals		
III. During Your Test Drive		
Cruise control		
Odometer/speedometer		
Smoothness of acceleration		
Tachometer operation		
Temperature gauge/light		
Tire noises		
Wheel alignment		
IV. Other		
Availability of warranty coverage		
Page 2		

Real Estate

Real Property Lease Checklist

Benefits: The real property lease checklist addresses the most common issues that you need to consider when you negotiate a real property lease. This comprehensive checklist identifies the terms and clauses that need to be addressed in a real property lease. It also contains questions under each term or clause that flush out the most important issues pertaining to that term or clause. It's a good tool to use when you have a real property lease in hand from the property owner and you want to know whether the lease covers all that it should cover so that you're properly protected. Of course, you should also have your attorney review the lease.

File Description: The file contains a three-page document in rich text format (RTF) that is suitable for use with most word processing programs used in a Windows environment.

Special Features: Included are:

- clauses and contract terms that should be addressed, such as taxes and expenses, termination, and lease improvements.
- issues relating to those clauses and terms that pertain to the lessor, lessee, or both

Real Property Lease Checklist

The real property lease checklist addresses some of the most common issues that occur when a real property lease is being negotiated. After reviewing it, you should be in good position to understand what to look for in any real property lease. Of course, before signing a real property lease, make sure that you have your attorney review it.

- ☐ **Nature and duration of the lease.** Determine the term of the lease, and when the lessee is entitled to possession. Is the lease to be a net lease? What are the duties of the lessor?
- ☐ **Rent.** In the contract, make sure that the amount of rent and when and how it is payable is stated. If the lessee holds over, what is the rent for this period?

- ☐ **Escalation clause.** Since most commercial leases contain a rent escalation clause, determine whether the escalation is keyed to actual increases in operating costs or if it is keyed to some index.
- ☐ **Competition.** In the case of a lease of retail space, such as a store in a shopping mall, there may be restrictions placed on the landlord's right to lease nearby space to businesses similar to the lessee's business. Are the restrictions reasonable? What rights does the lessee have in the event the lessor violates any restrictive covenant, thereby reducing the value of the lease to the lessee?
- ☐ **Renewal.** Is there an option to renew, and what is the term of each option? What is the rent for each renewal period? How must the option to renew be exercised?
- ☐ **Subletting.** Is the lessee entitled to sublease the property or to assign the lease? What is required before the lessee may sublease?
- ☐ **Space.** What the landlord considers rentable square feet and what the tenant gets in usable square feet space can vastly differ. Designers and space planners can often save costs by laying out the facility to fit the space efficiently. The location of a building's columns, windows and mullions can affect a tenant's total space requirements. Determine whether the lease provides an option for additional space. Is the lessee given a right of first refusal when additional space becomes available? Can other tenants be moved when additional space becomes available so that the lessee's areas are contiguous?
- ☐ **Taxes and expenses.** Determine who is responsible for the real property taxes. If the lessee is agreeing to pay only for increases, is there a stated maximum? Who pays for general maintenance and services? If it's the lessee, is the lessee free to contract with whomever they want for these services, or must they be obtained from or through the lessor? Who is responsible for extraordinary or structural repairs or alterations?
- ☐ **Construction.** Does the lessor warrant that the building conforms to all local laws and codes, and will the lessor reimburse the lessee for correcting any code violations? Does lessee have right to inspect before execution of lease and before taking possession? Are there adequate parking facilities and other transportation facilities?
- ☐ **Workletter.** Space is rarely taken by major tenants in ``as is" condition, whether the building is new or old. The fitting out of the premises to mutually agreed specifications is accomplished by a workletter. The latter is a contract between the landlord and tenant describing what is to be constructed, who pays for it and how, what the schedule for completion is, who is responsible for delays and cost overrun and more.
- ☐ **Zoning.** What zoning applies to the building, and is lessee's intended use permitted? Are there covenants or restrictions on the property? Easements? How about easements the lessee must have on adjacent property in order to fully utilize the leased property?
- ☐ **Liability and insurance.** Who is responsible for liability insurance, and what are the limits? Who carries theft, fire and other casualty insurance? To what extent does the lessor or lessee excuse the other party for liability for injury to persons or property? Lessees should scrutinize any hold-harmless provisions within the lease with great care. While a lessee may be willing to reimburse the landlord for losses caused by the lessee, most lessees would not want to hold a landlord harmless for damage caused by actions of the landlord. The provisions should indemnify the landlord only for harm caused by the lessee within the leased space.
- ☐ **Tenant ``going dark" rights.** A fear of many small tenants in a shopping center is that a major tenant will go out of business or not renew its lease (``going dark"). In an economic climate in which major department stores are filing for bankruptcy and closing stores, going dark is a real problem. One remedy is to negotiate a clause that gives a tenant the right to close its store or get a substantial rent reduction if a major tenant or several other tenants go dark. Defining ``major tenant" is usually a simple matter; defining ``other tenants" may be in terms of a percentage of the total square feet occupied by all other tenants.
- ☐ **Landlord's solvency.** Is the lessor able to deliver on promises? When the real estate market becomes depressed, more developers and landlords find themselves in financial trouble that could

- lead to foreclosure on the leased premises.
- ☐ **Destruction or condemnation.** Is lessor required to rebuild if property is destroyed, and what is "destruction"? Will rent be abated? May the lessee terminate following total or partial destruction of improvements? What are the rights of the parties if some or all of the property is taken by eminent domain?
 - ☐ **Termination.** What obligations are imposed on the lessee as to the condition of the property at the end of the lease term? Are ordinary wear and tear excepted from lessee's obligation to return property in good condition?
 - ☐ **Waste.** The cause of action for waste is a damage claim by owners against tenants for improper use of property. Under the laws of some states, the claim survives a sale of the property so that the former owner may recover the difference between the unimpaired value and the selling price. To avoid this result, the lease might provide that the owner waives any claims in the event of a sale.
 - ☐ **Purchase option.** Does the lease give the lessee an option to purchase the leased property? What is the option price, and when and how must the option be exercised?
 - ☐ **Grace period.** Are there grace periods for default on rent or other conditions in the lease? What are the lengths of the grace periods?
 - ☐ **Enforcement.** Are damages specified for breaches of various lease conditions? What about attorney's fees for actions to enforce lease provisions?
 - ☐ **Lease commencement date.** It is not unusual for a lease to commence on a date based upon some external event, such as completion of improvements or upon the present tenant vacating. Once the commencement date has been established, the parties should sign an amendment setting forth that date as well as the starting date for payment of rent. This will avoid problems that may arise in the future, such as the expiration date and base periods for determining rental and escalation increases. Arbitration should be provided for to resolve any dispute, or if a party refuses to sign the amendment. To avoid delaying tactics, a simple expedient is to provide that the losing party pays the arbitration costs, including legal fees.
 - ☐ **Representations and warranties.** The landlord may want the tenant to agree to disclaim any implied warranty or take the premises on an "as-is" basis without any landlord representations or warranties as to its condition or history. In either case, such a clause will impede the tenant from holding the landlord responsible for losses attributable to it. A tenant still wishing to lease the space on such a basis should at least request the landlord's specific representation as to any problem of which the landlord is already aware, and ask the landlord to have pre-lease tests conducted by an independent expert.
 - ☐ **Use restrictions.** The nature of the tenant's prospective use of the premises may lead the landlord to impose limitations or guidelines. This would be particularly so if the tenant plans to use equipment or chemicals that emit toxic pollutants.
 - ☐ **Improvements.** The tenant may wish to add "improvements" to the premises which might be of value to the tenant, but not future tenants. Determine the extent to which the landlord will allow improvements.
 - ☐ **Right of entry.** It may be in the best interests of both landlord and tenant that the landlord be permitted entry to the premises on an as-needed basis, despite inconvenience to the tenant, even if a shutdown for repairs is necessary. The tenant should plan to cooperate in these situations. Rent abatement for shut-down might be considered.
 - ☐ **Expense allocation.** A related issue involves the extent to which landlords may treat as operating expenses the costs of periodic testing and of changes to correct problems. Clearly, installation or replacements of heating and cooling systems would be capital improvements. Maintenance costs, such as for cleaning and changing filters, would be operating expenses. Some costs, such as for periodic testing and for minor systems modifications, might not be clearly characterized. From the tenant's point of view, work done before moving in should not be deemed operating expenses. Expenses for periodic testing and minor modification costs, up to a specified limit, might be

Operation Management

acceptable to the tenant as operating expenses.

- ☐ **Government reports.** Under various federal, state and local laws, landlords and tenants may be required to report to a governmental agency the storage, use or release of hazardous substances. Under the lease, each party should agree to comply with all such laws and to provide to the other party a copy of any filing or report within a specified period following filing. The landlord should also agree to provide to the tenant, within a specified period after the landlord receives it, a copy of any filing or report made by any other tenant of the building.
- ☐ **Legal compliance.** The landlord may want to include a provision whereby the tenant is obligated to comply with all present and future federal, state and local laws, including future environmental laws, affecting the leased premises, tenant's business, or any activity or condition involving the premises; to change, reduce or cease any noncomplying activity; and to install pollution control systems, equipment, safety devices and the like in order to comply.

Location and Leasing

Provided by My Own Business, Content Partner for the SME Toolkit

- [Location, Location, Location](#)
 - o Zoning Categories
 - o Criteria for Home Based Business
 - o Criteria for a Manufacturing, Warehousing or Industrial Business
 - o Criteria for a Retail Business
- [Leasing Do's and Don'ts](#)
 - o Do's and Don'ts
 - o Points to Consider Before Signing a Lease or Purchasing Property
 - o Lease Check-Off List
 - o To Rent or to Buy Considerations
- [Do Your Homework](#)
- [Site Location Criteria](#)
 - o Evaluation Table
- [SESSION 6 Business Plan](#)
- [SESSION 6 Quiz](#)

[\[Back to top\]](#)

Location, Location, Location

Whether you are a moonlight entrepreneur or full-time, at some time real estate issues will become important to you. The success or failure of most retail businesses will hinge on the owner's selectivity and judgment in picking the right location.

An initial step in business is to decide where you will live and where your business will be located. You may have the opportunity to relocate to an area where you would really enjoy living and working.

Zoning Categories

Every city has a Planning Department at City Hall. You will be dealing with this and other municipal departments and agencies that have discretionary authority to approve or disapprove your intended plans.

You can no longer rely on zoning codes to determine what the rules are in your desired location. Your intended location will often be subject to "precise plan" approval, environmental impact assessment and other regulatory issues.

You may find yourself appearing before a **review board** that can often seem unreasonable in their decisions. Many cities have redevelopment agencies authorized to impose conditions even more stringent than those established by local codes.

One shopping center developer was so frustrated with the demands of city agencies that he finally threw up his hands and sold off his rights to the property. The new owner succeeded in developing the property. His secret, "I went into City Hall and told them that I would do anything they wanted me to do-----and did it."

Now, obviously there will be times when unreasonable conditions will make a location for your business unattractive. In such cases you should unemotionally look for another location.

Testimonial	
	Jack Edwards <i>Commercial Real Estate Broker</i>
<i>"Most retail businesses require good accessibility and visibility."</i>	
	Transcription - html

Criteria for Home Based Business

Be sure your home business is permitted and you have the license required by the city. Many homes have an association with regulations for the owners. Check to ensure you are in compliance.

Criteria for a Manufacturing, Warehousing, Industrial Business

- Allow for future expansion
- Convenient for employees
- Accessibility
- Available labor force
- Appropriate utilities
- Convenient to freight and express delivery systems

Criteria for a Retail Business

Each retail and commercial business has its own criteria. For example, a donut shop should be located on the "going-to-work" side of the street. On the other hand, a liquor store should be on the side of the street with traffic going home from work.

The selection of your first location will have an overwhelming impact on your chances for success.

In Session One you analyzed businesses that are similar to the one you chose. Did you analyze where they were located and why?

Testimonial



Donna Strachan
Beauty Salon
Owner

"Do what you do best, don't try to be all things to all people."

 [Transcription - html](#)

- Select the appropriate **type** of center (mall, strip, mini). Some business do best in a large center but some, like Mini-Marts, video stores and laundromats, do better in much smaller centers. Others do well located on the street front, such as florist, nursery or antique stores.
- Demographic data will provide you information about the neighborhood. It will inform you about the population, the number of households, estimated population by race, age and income level within a one, two or five mile radius. You can find firms that supply this information on the Internet. Go to major search engines and enter "demographic data."
- Walk and talk the area. You will be surprised how much you can learn by talking to customers, employees and owners.
- Traffic count is very important because it will give you the number of cars at the intersection. You can also get the pedestrian count, which is great for drop-in or walk-in business. This report can be obtained from the local traffic department.
- Visibility and signage. *Customers must know you are there.* They should be able to see your store. Usually the end or corner location is better, which is why the rent for those spaces is higher. Get the biggest sign you can. Tell the public clearly what you are selling. Examples: Travel, Gifts, Pets, tell the products. Both your lease and the city ordinances will have limitations regarding your signs.
- Access and parking: Be sure you have adequate and convenient parking. Avoid streets with dividers or one-way traffic. Customers prefer stores where the parking is in the front.
- Proximity to competition: Know where your competitors are located. You can get the names and address out of the Yellow Pages. Find out what your competition is doing and how they are doing it.

Generators (anchors): These are the big national stores in a mall or shopping center. For example, Albertson's, Nordstrom, Wal-Mart and/or McDonald's will help to bring customers into the center.

The closer your business can be to generators, the better it usually is for your business.

[\[Back to top\]](#)

Leasing Do's and Dont's

Leasing "Do's"

Retain a real estate lawyer to assist you in negotiating your lease or purchase. A five-year lease on a \$1,000 per month space is \$60,000 (probably a personal obligation) and may well be your largest obligation for your beginning business.

Most retail stores leases are Net, Net, Net (NNN) leases (a.k.a., Triple Net Lease) meaning that you as tenant will pay for the taxes, insurance, gardening, utilities, security, trash and sewer, litter, graffiti removal and repairs. This charge is based on the square footage of your space. CAM (Common Area Maintenance) charges can be costly so find out the estimated cost per month before signing the lease. CAM charges can vary but will normally include parking lot sweeping and repair and all aspect of common area upkeep.

Ask for options. At the end of your base term you can then renew the lease or move. Try to keep your initial term short. There are some compelling reasons to have a short term lease with options:

- Your business may not be successful at your initial location. A short-term lease will minimize your overall rent obligation.
- You need flexibility in lease terms to accommodate growth. Start-up businesses frequently find that their growth rate is more rapid than expected.

Consider the possibility that you need to expand your business and will need more space. To provide for this, your lease could provide that if you need more room, your space can be expanded, you can move to another location in the center or you can cancel your lease.

Leasing "Don'ts"

Don't hurry your decision. There is no such thing as the last good location.

Don't judge entirely on rent. Pay fair rent for an outstanding location. Don't let the lessor dictate all the lease terms.

Points to Consider Before Signing a Lease or Purchasing Property

- Is the location the best available in the area where you want to be?
- Does it meet your own specific criteria?
- Are utilities and tenant improvements adequate?

Lease Check-Off List (See Attached Exhibit: "Commercial Lease")

Testimonial



Larry Tien
A B Photo Service

"Make sure either your product or your service is the best."

 [Transcription - html](#)

Operation Management

COMMERCIAL LEASE Shopping Center Tenant (Triple Net)	
Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the premises hereinafter described on the terms and conditions set forth in this Lease Agreement, hereinafter called "this Lease."	
Basic Lease Provisions The words and figures set forth in Paragraphs A to Q, both inclusive, are part of this Lease whenever reference is made thereto, unless they are expressly modified elsewhere in this Lease.	
A. Date of Execution: As of _____, 19____	K. Percentage Rent Rate: _____ % Payable quarterly.
B. Landlord: _____ and _____	L. Landlord's Address for Notices: _____ _____ _____
C. Tenant: _____ _____	M. Tenant's Business Address and Phone Number for Notices: _____ _____ _____
D. Tenant's Trade Name: _____ _____	N. Tenant's Resident Address and Phone Number: _____ _____ _____
E. Shopping Center: The property particularly described and depicted on the Plot Plan marked Exhibit A, located at: _____ _____ _____ Name of Shopping Center: _____	O. Tenant's Construction Requirements are set forth on Exhibit C.
F. Premises: The area shown on Exhibit A containing the following approximate measurements: Frontage: _____ feet Depth: _____ feet Floor Area: _____ square feet	P. Brokers: 1) for Landlord: _____ _____ 2) for Tenant: _____ _____
G. Purpose (Use): _____ _____ _____ _____	Q. Guarantors: _____ _____
H. Term: _____ years.	EXHIBITS: (Check if attached ☒) ☐ A - Site Plan ☐ B - Sign Criteria ☐ C - Construction Obligations ☐ D - Remodeled Premises ☐ E - Addendum
I. Minimum Rent: \$ _____ per month	
J. Security Deposit: \$ _____	

Figure (1)

Rent: is the rent comparable to other rents in the same location?

Term: is your lease for a short-term (a year or less) or long-term?

Floor area: how much square footage of the space? Rent and CAM charges are base on the square footage of your space.

Common area maintenance charges (CAM): what are the estimated charges for a year?

Operation Management

Options: do you have options to renew the lease after the first term expires?

Rent increase: is it a fixed rent increase or is it based on the CPI (Consumer Price Index). If so, negotiate a percentage cap.

Percentage rent: some landlords will ask for fixed rent plus a percentage (of your sales) rent. An issue to negotiate.

Tenant improvements: put the agreement in writing as to the responsibilities of the landlord and your responsibilities to do the necessary improvements to get the space open for business. Landlord's Construction Exhibit "C" should be made a part of the lease. Please refer to the sample exhibit furnished in this session.

Right to assign or sublet: Landlord's consent "not to be unreasonably withheld"

Signs: be specific with exhibit and description

Provision for expansion requirements: if you think your business will be expanding

Parking rights: be sure that adequate parking spaces are provided. In most retail centers tenants share "common area parking" rights. Nearby restaurants or theatres can monopolize the parking spaces you require.

Personal guarantee: avoid, if possible. If it is required, ask your lawyer to review this clause carefully.

Exclusive: ask that no other business similar to yours be allowed in the center if it's appropriate.

All leases have Exhibits

Exhibit "C"

LANDLORD'S CONSTRUCTION.
The term "Landlord's Construction" shall mean the Construction for Landlord of only the following items of work, where two types of materials or structures are indicated, the quality shall be that of Landlord.

- Roof: The roof shall include exterior walls, canopy, roofing, flashing and sidewalks in front of premises.
- Store Front: The store front shall have a glass front in substantial part, with one 2' x 7' door along the front line of the premises. All store fronts and change shall be in accordance with architectural standards established for the shopping center by the Landlord and shall be subject to review and approval by Landlord. One 2' x 7' rear door per Landlord's specifications.
- Perimeter Exterior Walls: Perimeter exterior walls shall be of drywall construction, to roof sheathing height except where block walls are provided.
- Ceiling: Landlord shall provide a suspended "T" bar acoustical ceiling Armstrong Sheetrock #2507 unperforated 16" spaced 24" x 48" x 5/8" or equivalent. The ceiling shall be in one plane, and the ceiling height between floor slab and ceiling shall be a minimum of 10 feet.
- Lighting Fixtures: Landlord shall provide 4' x 4' 2" x 4" fluorescent fixtures recessed mounted, metal box 0.7" series or comparable. The type of fixture and the fixture count shall be determined by Landlord. The count shall be based on providing a 40 foot candle minimum.
- Telephone: Landlord shall provide a conduit for telephone service into the demised premises to a point determined by Landlord.
- Heating and Air Conditioning: Tenants shall be provided with an individually controlled refrigerated air conditioning and heating system of not more than one ton for each 400 sq. ft. of demised premises. The unit shall be designed in accordance with Landlord's specifications.
- Toilet Room: Landlord shall furnish one lavatory with concealed wall hangers; one free-standing tank type water closet; one wall hung sink with cold water only; one exhaust fan; one electrical wall receptacle; one light fixture; one hollow wood door with required privacy wall as required by the building code.
- Sanitary: If required by governmental authorities having jurisdiction over the premises, Landlord shall install an automatic sprinkler system, preaction type, for a full rating per government codes.
- Electrical: Landlord shall provide service for power and lighting to a location in premises determined by Landlord. One (1) wall outlet commercial outlet shall be provided for each 100 sq. ft. of floor area not to exceed a total of seven including the one in the toilet room. One sign outlet shall be provided. Power for air conditioning shall be provided per Landlord's specifications. Size and capacity of all of the aforementioned electrical service shall be in accordance with Landlord's specifications up to a maximum of a 100 ampere service and panel.
- Floor: Landlord shall provide a concrete floor on 100% of the gross floor area. Sheet Vinyl shall be provided in toilet room only.
- All of the Landlord's work and specifications will be based upon Landlord's building standards and any stated specification contained herein may be substituted with like or comparable materials and work.
- Any quality or quantity of any items over and above those designated above shall be paid for by Tenant.

Figure (2)

1. Site plan, which is a drawing of the inside of the store, restrooms, windows, doors, A/C vents and utilities.
2. Sign criteria, put in a drawing of the type of sign you want, be sure to state color and size.
3. Construction obligations, state exactly what the landlord will do and what you will do.
4. Special requirements of tenant

To Rent or to Buy Considerations

Operation Management

- For start-ups, primary consideration is that capital is needed for the business
- Are requirements going to change? If so, renting is probably preferable
- Are there tax and borrowing incentives available to buy?
- Some make more on the real estate than on the business. Talk to Community Development Department.
- Ownership fixes future cost and availability of the location

[\[Back to top\]](#)

Do Your Homework

- Completely fill out a standard lease form with contingencies necessary for your particular business
- Attend local Chamber of Commerce meetings to find out about community opportunities and concerns
- Fully evaluate a specific location, including the completion of a "Site Criteria" table
- Maintain contact with the Community Development Department
- Find and get to know a good real estate lawyer
- Negotiate an actual lease as a dry run practice

[\[Back to top\]](#)

Site\Location Criteria

You can create your own "Site Model" in order to maintain objectivity when evaluating locations for your business. This can be done by assigning different values to the factors that are most important for your particular business. Then each location can be evaluated against these measurements.

Some things to keep in mind in site selection:

- There's no such thing as the "last good location."
- Copycatting your most successful competitor's site criteria can help avoid making mistakes.
- If you are building a chain of stores, never sign a lease on your second location until your first location is profitable and proven.
- It is better to pay fair rent on a great location than pay great rent on a fair location.
- Don't rely on leasing agents to make your site decisions.
- Driving streets and walking neighborhoods is a good way to scout for locations.

The following form will give you a methodical approach for evaluating the strengths and weaknesses of each potential location.

First, evaluate your site location for each factor on a scale of 1 to 10. Number 10 being the highest.

Second, decide the importance of each factor to your particular business on a scale of 1 to 5. Number 5 being the most important.

Multiply the grade by the weight to determine the points for each factor. Add up the points to get a total score. Repeat this process for each site to gain an objective comparative analysis.

Site Criteria Table			
Factors	Grade 1-10	Weight 1-5	Points

Operation Management

Traffic count: Cars or pedestrians			
Visibility access			
Proximity to competition			
Zoning			
Parking (include off-street parking)			
Condition of premises			
Proximity to customer generators			
Income level of neighborhood			
Population density			
Ethnic make-up of neighborhood			
Age factor			
Directional growth of area			
Area improving or deteriorating			
Crime/shoplifting rates			
Availability of qualified employees			
Labor rates of pay			
Supplier proximity			
Terms and rental rates			
Adequacy of utilities, gas, water			
Transportation accessibility			
Total Points			

[\[Back to top\]](#)

Business Plan for Session 6: Opening and Marketing

We heartily recommend that you download the individual business plan template for this session Business Plan Template Document 6 and complete it now.

Section 6: Premises

 [MS Word](#)

Instructions on filling in the business plan template:

1. Each box has a permanent title in CAPITAL LETTERS
2. Below each title is a sentence starting with an "Insert here" sentence. This will suggest information to insert. The boxes will enlarge as you take up more room so use all the space you need.
3. After completing each box, delete the "Insert here" sentence, which will leave only the permanent title of the box and the information you have filled in.

We suggest that you fill in each section of the business plan as you proceed through the course.

The template for all sessions 1-12 can also be downloaded into your computer as a single document:

Section 1-12: All

 [MS Word](#)

Include sufficient research findings and background materials. Make it interesting up by the use of background data, your biography, charts, demographics and research data. When your business plan is completed, print off and assemble the 12 sections.

Many other business plan formats are available in libraries, bookstores and software.

[\[Back to top\]](#)

SESSION 6 Quiz: Location and Leasing

1. **During the formulative years of Denny's Restaurants, they passed up many good locations because their primary criterion was to be located on freeways. If it was not on a freeway offramp, they passed. Was this a good policy?**
 - A. ☐ Yes
 - B. ☐ No

2. **If you start a business that does not depend on "location," where you start is of secondary importance.**
 - A. ☐ True
 - B. ☐ False

3. **Why is it that the most astute start-up entrepreneurs rent their premises rather than own the real estate where they conduct their businesses?**
 - A. ☐ They can't find suitable properties to buy.
 - B. ☐ They can use their money more productively in their business.
 - C. ☐ They are not sufficiently informed regarding the benefits of owning business real estate.

4. **You are planning to open a single retail store (or to start a chain of retail stores). The WORST way to scout for a location is to:**
 - A. ☐ Drive the streets
 - B. ☐ Copycat the type of locations that your most successful competitor utilizes.
 - C. ☐ Create a site model for your specific business and evaluate each site on a weighted and objective basis, using the criteria of your model.

- D. ☐ Rely on the information furnished by leasing representatives.

5. **It is better to make a deal for your first retail location where:**

- A. ☐ You can get a great deal on a fair location.
B. ☐ You can get a fair deal on a great location.

6. **The most important player on your team to check out a lease for your first location is:**

- A. ☐ Your accountant
B. ☐ Your team of co-workers
C. ☐ Your real estate agent
D. ☐ Your lawyer
E. ☐ Your banker

7. **One of the following answers is NOT a good reason to sign a short-term lease with options:**

- A. ☐ You will probably be asked to personally guarantee the lease and the liability of a long-term lease is too much to swallow.
B. ☐ You may need to expand before your primary term is up.
C. ☐ Your business might not work at all in the location.
D. ☐ A short-term lease with options to renew is most desirable. If you're successful in the location, you have the security of future occupancy. And if you're not successful, your lease term will be appropriately short.
E. ☐ The rent will be lower.

8. **When you lease a space for an office, retail or warehouse, how do you protect yourself from being tied into a lease even if you have outgrown the space?**

- A. ☐ Become personal friends with your landlord
B. ☐ Plan to add space if necessary at a remote location
C. ☐ Plan to sublease your premises and relocate to larger quarters
D. ☐ Provide for this contingency in your lease

9. **A Net, Net, Net lease means that the tenant pays their share of:**

- A. ☐ Real estate taxes, insurance and common area maintenance
B. ☐ Telephone, utilities and insurance

- C. ☐ Parking, fire and police services

10. Zoning requirements can be obtained from:

- A. ☐ Board of Equalization
B. ☐ A demographic survey
C. ☐ City Hall

TELECOMMUNICATION

Basic Computer and Communication Tools

Provided by My Own Business, Content Partner for the SME Toolkit

- Types of Communication
 - o External
 - o Internal
- Basic Communication Tools
 - o Telephones
 - o Pagers
 - o Facsimile Machines
- Computers
 - o Desktop
 - o Laptop
 - o Handheld
 - o Software
- Internet
 - o Browsers
 - o Feasibility and Specifics
 - o Internet Service Provider
 - o Email
- Technology Planning
- SESSION 3 Business Plan
- SESSION 3 Quiz

[\[Back to top\]](#)

Types of Communication

Communication is key to any business success! Unless potential clients and customers are aware of your business, they will not have the information to contact you or to purchase your products. When they are aware of your business, they must be able to contact it easily.

Two types of communication are essential - external and internal.

- **External** communication reaches out to the customer to make them aware of your product or service and to give them a reason to buy. This type of communication includes your brochures, various forms of advertising, contact letters, telephone calls, web sites and anything else that makes the public aware of what you do.

Image is extremely important in external communication! Your logo should represent who you are; your letterhead should be a selling tool; your telephone message should reflect your professionalism.

- **Internal** communication is essential to attracting and retaining a talented staff. You must provide the direction for the company by consistently communicating that message; you must motivate your staff through various forms of communication, which can include awards, newsletters, meetings, telephone calls and formal and informal discussions.

Effective communication requires tools and planning. In this session we will discuss those tools, as well as planning guidelines, to facilitate that key element of your business - communication.

The following discussion will be grouped into 1) basic communication tools; 2) computers; and, 3) the Internet.

[\[Back to top\]](#)

Basic Communication Tools

Specific tools that can be used for communication include telephones, pagers, facsimile machines and Personal Digital Assistants (PDAs). The lines between the devices are blurring. For example, a telephone can now contain all of the functions of a PDA and also access email and the Internet. For this discussion, however, each device will be presented as a separate entity.

- **Telephones**

There are many types of telephones and only you can decide which type(s) or combinations of types are right for you.

Even the *standard telephone* that is installed in your office has many options. You should start with at least one line that is unique to your business. This line should have the capability to take messages in case it is not answered personally.

The *wireless telephone* is becoming a requirement. With a wireless telephone, you can avoid missing calls. The features needed for this type of telephone depend entirely on you and your needs. You can get the basic instrument free by signing up with most carriers, or you can get a model that can receive your email, store your contacts, maintain your calendar and allow you to play



Gwyn Myers
Management
Consultant

"You can't do without communication and computers, they are absolutely key to the success of your business."

 [Transcription - html](#)

Testimonial



Greg Washington
Consultant,
Marketing for
Physicians

"Look at the Internet as an opportunity to create an electronic brochure."

 [Transcription - html](#)

interactive games.

There are many features from which you can choose on standard and wireless phones, such as call waiting, call forwarding, conferencing capabilities and voice mail. There are also many plans and many carriers from which you can choose. Competition has forced options that bundle popular features and usage patterns, making them very cost effective. Be sure to ask questions about your specific needs before selecting a carrier and a plan. When your usage or your needs change, do not hesitate to request information on plans that more closely meet your new set of requirements.

- **Telephone Tips**

It is important to treat the telephone as an important business tool. Record a voice mail message that indicates when you will return the call and then continually check your voice mail to return calls promptly.

Have a separate line for your business phone and your personal phone. Don't have family members pick up or use the business phone. Get any required extra telephone lines installed before you start.

A remote (voice mail) answering system is usually more desirable than using an answering machine. Voice mail is reliable, reasonable in cost, accessible from anywhere and projects a more business-like image.

The need for an 800 number is becoming less important because long-distance rates are much more affordable.

Consider using a headset for both wireless phones and cell phones. It is clearer, safer and you can move about with free arms.

When leaving phone messages, clearly state your name and phone number at the beginning and the end of the message.

Be polite in wireless use! Good business courtesy includes avoiding being interrupted by telephone calls when in a meeting or during a business lunch.

- **Pagers**

There are many varieties of pagers: those that only receive numeric messages; those that provide both voice and text capabilities; those that have two-way messaging; and, those that have the capability of receiving and sometimes even sending email. They now come in colors and sizes to meet your every need.

Some devices operate on paging networks, have the features of a PDA, allow you to receive and reply to email messages and the latest models include a cellular telephone. One of the key decision points is the geographic coverage that you will be needing. This coverage can be as limited as your own county or as comprehensive as nationwide. Usage charges increase as coverage expands.

- **Pager Tips**

Use the pager with the same polite guidelines as the wireless telephone. Keep the pager in "vibrate" mode when involved in business meetings. There is nothing more distracting than having a pager play music during an important discussion.

If you use a pager with a wireless telephone, you can manage your interruptions. The one thing that you must do is to make sure that the expectations of those paging are realistic - you will get back to them as quickly as possible, not necessarily immediately.

- **Facsimile Machines**

The decision must be made as to whether to get a simple fax machine or whether to get an "all in one" model that not only faxes but also prints and scans. Consideration should be given to your budget and your space constraints. Generally, the simpler the machine, the less problems you will have with it.

It is very important to get as much memory as possible on your fax. That makes it possible to send at a rate faster than the rate at which the fax can print. Only when the memory is full will the transmission rate slow down to the speed of print.

Some vendors can provide you with a fax number that works with your email system. Sending a fax to you works just like it does when the fax is being received by another machine but you receive it as an attachment to an email. This can be very handy for those who travel on a frequent basis and are not always near a fax machine.

- **Facsimile Tips**

Use a cover page that is appropriate for your company. Remember, this is external communication that reflects your business and your image.

Use a separate dedicated phone line for your fax machine.

[\[Back to top\]](#)

Computers

A computer is such an affordable tool that it should no longer be considered an option for your business!

The following discussion will focus on three basic models - desktop, laptop, personal digital assistants - and the software that makes them work.

Desktop - This is the most common type of computer, one that is set up to operate in your office. This computer system should include a basic processing unit, a monitor, a modem, a CD drive, a floppy disk drive and a printer. Some type of backup storage should also be considered, such as a Zip drive or a read/write CD.

Computer systems can be purchased for a wide range of prices. The only advice that seems appropriate is to get as much and as fast as you can afford. Given rapid advances in technology, whatever you buy today may quickly become obsolete. Fortunately, this does not mean that the computer you purchase will not meet your business requirements for a much longer period of time.

Laptop - A laptop computer is portable. A single unit will contain a combination of the capabilities shown for the desktop. It usually does not include a printer so that will have to be purchased as an additional item. Another option is a docking station that allows you to plug your laptop into a unit at your office, giving the

Testimonial



Jane Williams
*La Habra Journal
Community
Newspaper*

*"If you cannot go it alone,
consider very carefully if
you really need a
partner."*

 [Transcription - html](#)

Operation Management

capability of using your laptop as the basic processing unit while enjoying the use of a larger monitor and a full-sized keyboard.

Laptops tend to be a bit more expensive than desktops but if you travel and need computing capability, it is worth the extra expense. Once again, get as much capability as you can afford.

Personal Digital Assistants - Handheld computers, or Personal Digital Assistants (PDA's), are becoming increasingly popular. There are basically two versions of these units: 1) those that use the Palm Pilot operating system and 2) those that use the Microsoft Pocket PC operating system. These units allow you to synchronize your key organizational elements with your computer. In a very small package, you can have your entire contact list and your calendar as well as a list of things to do. Many of these units also allow you to receive and respond to email via wireless or modem transmission. You need never be out of touch!

Software - The software you purchase is key to making your computer a productivity aid. The operating system, whether it is a PC or a Macintosh, should be loaded onto the system. Many software packages are often bundled into the system at the time of purchase. At the bare minimum, you should have the capability to do word processing, spreadsheets and presentations.

Additionally, you should consider financial and accounting software that is appropriate for your particular business. Keep in mind that many accounting/bookkeeping software packages are not double-entry systems and care must be taken in making the entries correctly.

Auxiliary Products - There are many products that can be used in conjunction with your computer to enhance the functionality and image of your business. These also require software specifically designed to facilitate their usage.

- **Digital Camera** - a picture taken by this type of camera can be directly loaded onto your computer for a variety of uses. Usage ideas include pictures of properties, product catalogs, pictures accompanying resumes and many more.
- **Scanner** - when you have a printed copy of something that you would like to include as part of a digital document, you can create a digital image by scanning the printed copy with this type of equipment. Generally speaking, the higher the price of the scanner, the better the image produced.
- **Wireless Transmission** - this feature allows you to communicate with other devices equipped with the same feature. Being able to simply point your device at another one, without hunting for the cord and plugs, is very appealing and has many productive implications.
- Don't overlook the importance of making regular external back-ups to the individual programs used in your business. Backups are commonly stored on CD's or Zip discs but there are also services provided on the Web to facilitate this process.

[\[Back to top\]](#)

Internet

Operation Management

The Internet has become a very important business tool! It can be used at a basic level for email and for research and it can be used at a more comprehensive level as a channel for selling your products and services.

To get access to the Internet, you need a browser. This is a piece of software. Microsoft Internet Explorer and Netscape Navigator are the two leading browsers.

Now that you have a browser, you need to get access to the Internet. This is done through an Internet Service Provider (ISP). These providers range in the features that they provide, but all give you the capability of email. If you want a very comprehensive set of features, then America Online or MSN might be for you. If you are comfortable with accessing the Internet and working within an environment that assumes a little more knowledge on your part, an ISP such as AT&T or Earthlink might meet your needs. As with other forms of communication, there are many plans and prices from which to choose.

How you use the Internet in your business is up to you. Perhaps you are not ready to sell your products on the Internet, but you are interested in developing a website, or home page, that lets people know what you do. At the other extreme, you may want to use the Internet as your main sales channel. Just remember, the basics are still on the ground - you need products and services that people need; you need to attract people to your Internet site so that they have the option of purchasing these products and services from you; you need to convince them to buy; you need a place to store your products; and, you need a way to get them to the purchaser.

Session 9 of this course will furnish you with detailed information about the Internet and E-Commerce.

[\[Back to top\]](#)

Technology Planning

Before you start, plan for the technology that you will need. Get those extra telephone lines; purchase and learn how to use the computer; decide how you will and will not use the Internet.

Keep in mind that the monitoring of employees' use of the Internet while at work is not a violation of their rights to privacy. Your policy should be in writing and signed by your employees.

Remember, appropriate use of technology can make your business look established and successful from the very beginning!

[\[Back to top\]](#)

Business Plan for Session 3: Basic Computer and Communications Tools

We heartily recommend that you download the individual business plan template for this session Business Plan Template Document 3 and complete it now.

Section 3: Communications

 [MS Word](#)

Instructions on filling in the business plan template:

Testimonial

**Lloyd Totten**
Pest Control Service

"Offering good service and being punctual has resulted in word-of-mouth referrals."

 [Transcription - html](#)

1. Each box has a permanent title in CAPITAL LETTERS
2. Below each title is a sentence starting with an "Insert here" sentence. This will suggest information to insert. The boxes will enlarge as you take up more room so use all the space you need.
3. After completing each box, delete the "Insert here" sentence, which will leave only the permanent title of the box and the information you have filled in.

**We suggest that you fill in each section of the business plan
as you proceed through the course.**

The template for all sessions 1-12 can also be downloaded into your computer as a single document:

Section 1-12: All

 [MS Word](#)

Include sufficient research findings and background materials. Make it interesting up by the use of background data, your biography, charts, demographics and research data. When your business plan is completed, print off and assemble the 12 sections.

Many other business plan formats are available in libraries, bookstores and software.

[\[Back to top\]](#)

SESSION 3 Quiz: Basic Computer and Communication Tools

1. **If I am too old or inadequately educated to become computer literate and to handle websites, e-mail and software, should I start a business?**
 - A. ☐ Yes: Start without a computer.
 - B. ☐ No: Learn. Read books, enroll in courses, and get tutoring.
2. **I'm ready to start my business but haven't taken computer classes yet. Should I start my business without software programs in place and plan to convert to them later?**
 - A. ☐ Yes, start without a computer program in place.
 - B. ☐ No, wait until my computer set-up is in place.
3. **In my new business, I plan to have employees accessing the Internet. The monitoring of employees' use of the Internet while at work is violation of their rights to privacy.**
 - A. ☐ True
 - B. ☐ False
4. **Your fax machines should be set up with separate dedicated phone line.**
 - A. ☐ True
 - B. ☐ False

5. Which of the following is NOT an external communication:

- A. ☐ Brochures
- B. ☐ Your website
- C. ☐ Employee meetings
- D. ☐ Your letterhead

6. When using the telephone (either wired or cell) you can improve clarity, safety and versatility by using:

- A. ☐ An instrument's microphone
- B. ☐ A headset

7. 800 phone numbers are becoming less important because of lower long distance rates.

- A. ☐ True
- B. ☐ False

8. What system of taking telephone messages is recommended in case they cannot be taken personally:

- A. ☐ Voice mail, managed by your telephone company
- B. ☐ A telephone answering machine

9. Spreadsheet know-how is considered to be:

- A. ☐ Useful for a limited number of businesses
- B. ☐ "Must-know" software and know-how
- C. ☐ Useful for many businesses

10. A personal digital assistant (PDA) can perform all of the following functions: Cell phone, sending and receiving forwarded faxes and email, and managing your calendar.

- A. ☐ True
- B. ☐ False